SASKATCHEWAN ARTS BOARD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Saskatchewan Arts Board, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saskatchewan Arts Board as at March 31, 2013, and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
June 20, 2013

Bonnie Lysyk, MBA, CA
Provincial Auditor

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SASKATCHEWAN ARTS BOARD
STATEMENT OF FINANCIAL POSITION
As at March 31

	2013	2012
Financial Assets		
Cash – operations	$ 2,174,620	$ 2,370,777
Cash – Flexible Loan Program (Note 13)	1,197,600	1,151,928
Accounts receivable	55,112	82,149
Loans receivable - operations (Note 4 and 8)	139,773	114,801
Loans receivable - Flexible Loan Program (Note 4 and 13)	36,688	68,946
Managed funds receivable (Note 10)	1,671,076	1,583,182
	5,274,869	5,371,783
Liabilities		
Accounts payable		
Grants payable	2,062,771	1,536,322
Accrued employee benefits payable	86,557	79,629
Other	338,676	221,206
Unearned revenue		
Permanent collection fees	20,649	21,707
Deferred revenue (Note 17)		
Leasehold inducement	14,143	27,198
Other	36,381	37,013
Canada Games Legacy	186,000	222,000
	2,745,177	2,145,075
Net financial assets (Statement 3, Note 15)	2,529,692	3,226,708
Non-Financial Assets		
Prepaid expenses	43,367	33,288
Tangible capital assets (Note 12)	420,561	485,199
	463,928	518,487
Accumulated surplus (Statement 2)	$ 2,993,620	$ 3,745,195
Collections (Note 9)		
Permanent Collection	$ 2,345,538	$ 2,283,108
Musical instruments	46,575	46,575

Contingent liabilities (Note 11)

SASKATCHEWAN ARTS BOARD
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended March 31

	2013	2012
Revenues:		
Allocation from General Revenue Fund	$ 8,049,000	$ 8,733,000
Contribution from SaskCulture Inc.	1,874,400	1,689,800
Program support	290,634	416,007
Permanent collection	65,715	68,552
Project support	73,400	--
Donations	2,440	16,833
Other earned income	171,280	146,114
	10,526,869	11,070,306
Expenses:		
Grants (Note 16)	8,188,722	8,099,608
Transfers and other payments	241,430	168,300
Permanent collection		
Purchases and donations (Note 9)	62,430	64,745
Project expenses	123,273	-
Program delivery		
Grants	1,359,680	1,242,159
Permanent collection	294,581	258,228
Operations	780,451	698,414
Communications	227,877	289,837
	11,278,444	10,821,291
Annual surplus	(751,575)	249,015
Accumulated surplus, beginning of the year	3,745,195	3,496,180
Accumulated surplus, end of the year (Statement 1)	$ 2,993,620	$ 3,745,195

(See accompanying notes to the financial statements)

SASKATCHEWAN ARTS BOARD
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the Year Ended March 31

	2013	2012
Net financial assets, beginning of the year	$ 3,226,708	$ 2,849,740
Net operating results for the year	(751,575)	249,015
Changes in prepaid expenses	(10,081)	4,629
Acquisition of tangible capital assets (Note 12)	(21,930)	(9,286)
Amortization (Note 12)	86,570	132,610
Changes in net financial assets during the year	(697,016)	376,968
Net financial assets, end of the year (Statement 1)	$ 2,529,692	$ 3,226,708

(See accompanying notes to the financial statements)

SASKATCHEWAN ARTS BOARD
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2013	2012
Cash flows from operating activities:		
Cash receipts:		
Allocation from General Revenue Fund	$ 8,049,000	$ 8,733,000
Contribution from SaskCulture Inc.	1,881,900	1,682,300
Fees and other	506,434	467,272
Other contributions	52,383	123,327
	10,489,717	11,005,899
Cash disbursements:		
Grant and transfer payments	7,787,502	8,157,290
Salaries and benefits	1,790,124	1,634,806
Space and accommodation	277,180	271,730
Supplies and other	682,216	526,044
	10,537,022	10,589,870
Net increase (decrease) in cash from operating activities	(47,305)	416,029
Cash flows (used in) from capital activities:		
Additions to tangible capital assets	(24,034)	(9,068)
Net decrease in cash from capital activities	(24,034)	(9,068)
Cash flows (used in) from investing activities:		
New loan payments	(60,000)	(93,000)
Loan repayments	68,748	48,686
New investments in managed funds	-	-
Reinvestments in managed funds	(87,894)	(58,505)
Net decrease in cash from investing activities	(79,146)	(102,819)
Net decrease(increase) in cash for the year	(150,485)	304,142
Cash position, beginning of the year	3,522,705	3,218,563
Cash position, end of the year	$ 3,372,220	$ 3,522,705
Cash consists of:		
Cash – operations	$ 2,174,620	$ 2,370,777
Cash – Flexible Loan Program	1,197,600	1,151,928
	$ 3,372,220	$ 3,522,705

(See accompanying notes to the financial statements)

SASKATCHEWAN ARTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2013

1. Purpose and Authority

The Saskatchewan Arts Board was established pursuant to *The Arts Board Act*. It has been continued under *The Arts Board Act, 1997* (the Act). It exists to cultivate an environment in which the arts thrive for the benefit of everyone in Saskatchewan. The Act continues the Saskatchewan Arts Board Fund through which all financial transactions are conducted which pertain to fulfilling the purposes of the agency as indicated in the Act.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. These statements do not present a Statement of Remeasurement Gains and Losses as it is not practical to determine the unrealized portion of investment income relating to its pooled fund investments. As a result, all income attributable to its pooled fund investments is recorded in Other Earned Income on the Statement of Operations and Accumulated Surplus.

The significant policies are as follows:

a) Collections

The Board maintains a collection of artworks and related archives in all forms in order to inform, enlighten, and enhance the lives of present and future generations. Works in the collection are acquired through purchase, commission, donation, or bequest.

i) Permanent collection purchases are charged at cost as an expense in the Statement of Operations and Accumulated Surplus in the year of purchase.

ii) Donated works of art and archives for the permanent collection are recorded as revenue at their fair market value at the time of donation with a corresponding charge to expenses in the Statement of Operations and Accumulated Surplus.

iii) Musical instrument purchases are charged at cost as an expense in the Statement of Operations and Accumulated Surplus in the year of purchase.

b) Tangible Capital Assets

Leasehold improvements, equipment, and furnishings are recorded at cost less accumulated amortization. The net book value of these capital assets is detailed in Note 12. Tangible capital assets are amortized on a straight-line basis over their estimated useful lives which are as follows:

Electronic equipment	4 years
Other equipment	6 years
Furnishings	10 years
Leasehold improvements	Life of the lease

c) Designated Assets

Internally - the Board periodically designates amounts from cash to be allocated for specified purposes. In designating these amounts, the Board takes into

account the amounts and stated preferences of contributors. These amounts are not available for other purposes without approval of the Board.

Externally - the Board may receive cash with the stipulation it be used for specific purposes. These amounts are available only for the purposes stipulated by the contributor.

d) Grant expenses

Grants are expensed when approved by the Board, the applicant has met the eligibility criteria, and the amount of the grant can be estimated.

e) Cash

Cash consists of interest-bearing money on deposit with the bank. The interest rate during the year was 1.000% (2012 – 1.000%).

f) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods. Differences are recorded in current operations when identified.

The primary measurement uncertainty arising from the use of estimates which may affect reported amounts relates to the values of loans, accounts receivable, and tangible capital assets.

g) Revenues

Revenues are recognized as they are earned and measurable.

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be made.

Deferred revenue represents user charges and other fees which have been collected, for which the related services have yet to be provided. These amounts will be recognized as revenue in the fiscal year the services are provided.

h) Adoption of New Accounting Standards

The Public Sector Accounting Board (PSAB) issued four new accounting standards effective April 1, 2012. PS 1201, Financial Statement Presentation; PS 2601, Foreign Currency Translation; PS 3410, Government Transfers; and PS 3450, Financial Instruments. The Board's adoption of these new standards had no impact on the Board's financial statements other than minor changes to the financial statement presentation and disclosure.

3. Pension Plan

Employees make contributions to the Public Employees' Pension Plan, a defined contribution plan. Funding requirements are established by *The Superannuation (Supplementary Provisions) Act*. During the year, the employee contribution rate was changed from 5.84% to 6% effective October 1 and the employer contribution rate was 7.00%. This plan is fully funded. During the year the Board's total contributions were $100,311 (2012 - $101,542) and are included in Salaries and benefits in Note 7.

4. Financial Instruments

a) Fair value

The Board's significant financial instruments consist of cash, accounts receivable, loans receivable, managed funds receivable and accounts payable. The managed funds receivable is a pooled fund financial instrument measured using fair market value of the receivable as at March 31.The fair value of the loans receivable is not readily determinable due to the nature of the loans as described in Note 8 and Note 13. The fair values of the other financial instruments approximate their carrying value due to their short-term nature.

b) Credit risk

Credit risk is the risk a party owing money to the Board will fail to discharge that responsibility. The Board is exposed to credit risk from the potential non-payment of accounts and loans receivable. The majority of accounts receivable were collected shortly after year-end. Loans receivable – operations are secured against future grant allocations. Therefore, the credit risk is minimal. Loans receivable - Flexible Loan Program are secured by general security agreements. An allowance for doubtful accounts has been recorded to cover any risks associated with any of the financial instruments.

5. Assessment Services

The Board has entered into agreements with several organizations to provide assessment and program delivery services on their behalf.

The Board has a standing partnership agreement with SaskCulture Inc. regarding responsibilities for jointly delivered programs, including principles involving the assessment and funding of provincial cultural organizations. During the year, the Board recommended funding of $9,313,837 (2012 - $3,845,789) to be paid to 16 organizations (2012- 14 organizations). Since these payments are made directly by Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation they are not reported in these financial statements.

In 2011, the Board entered into an agreement with Access Copyright Foundation to assist the Foundation with developing three national grant programs and to provide assessment services for the three grant programs. In 2013, the Board administered the assessment services for 3 grant programs (2012 – 3 grant programs) and recommended funding of $304,617 (2012 - $300,000) to be paid to 76 applicants (2012 – 100 applicants). Since these payments are made directly by the Foundation, they are not reported in these financial statements.

In certain cases, fees are charged by the Board to the respective organization and recorded as revenues in our financial statements.

Assessment Services fees

Client	2013	2012
SaskCulture	$ 139,050	$ 135,000
Parks, Culture and Sport (CIGS)	190,000	225,000
Parks, Culture and Sport (COGO)	120,000	120,000
Access Copyright Foundation (ACF)	37,500	37,500
	$ 486,550	$ 517,500

6. Contractual Obligations

Operating lease

The Board leases office space and storage space for its permanent collection in Regina and office space in Saskatoon. The future minimum lease payments are:

Fiscal Year	Operating Leases
2013/14	118,317
2014/15	117,016
2015/16	108,948
2016/17	108,948
2017/18	108,948

7. Comparison of Planned and Actual Results by Object

	2013 Budget	2013 Actual	2012 Actual
Revenues			
General Revenue Fund	$ 7,674,000	$ 8,049,000	$ 8,733,000
SaskCulture Inc.	1,789,500	1,874,400	1,689,800
Other	618,035	603,469	647,505
Total Revenues	10,081,535	10,526,869	11,070,305
Expenses			
Grants and transfers	7,388,700	8,430,152	8,267,908
Permanent Collection			
Purchases	60,000	62,430	64,745
Programming	46,000	25,676	29,244
Projects	100,000	123,273	-
Operations			
Salaries and benefits	1,842,000	1,816,402	1,673,818
Office and administration	344,750	335,541	324,833
Furniture and equipment	167,835	160,831	182,271
Programs and services	180,000	162,814	86,887
Travel and meetings	126,000	110,305	128,036
Communications	104,500	51,020	63,548
Total expenses	10,359,785	11,278,444	10,821,290
Net operating results	$ (278,250)	$ (751,575)	$ 249,015

The original budget for the 2012/13 year was approved by the Board.

8. Loans Receivable- operations

In 2002 and 2004, the Board entered into two loan agreements with a non-profit organization for the total amount of $265,000. The interest rate on both loans is set at prime less two percent. In 2006, the terms of repayment were amended. The first loan has now been paid in full. In 2012, a loan was finalized with a non-profit organization at an interest rate of 3% and principal amount of $40,000. In 2013, another loan was finalized with another non-profit organization at an interest rate of 1% and principal amount of $60,000. Future payments to the Board, pursuant to these agreements, are as follows:

Fiscal Year	Principal Repayment
2013/14	48,721
2014/15	54,989
2015/16	36,063
	$ 139,773

9. Collections

	2013	2012
Art	$ 2,318,068	$ 2,255,638
Archives	27,470	27,470
Permanent Collections	$ 2,345,538	$ 2,283,108
Musical Instruments	$ 46,575	$ 46,575

During the year the Board purchased art objects for the permanent collection totaling $60,280 (2012 - $48,045). In addition, art objects valued at $2,150 (2012 -$16,700) were donated to the collection. In January 2002, the permanent collection was appraised by members of the Professional Art Dealers Association of Canada and assigned a value of $2,903,173 on the basis of market value. In 2013, 796 objects (2012-800 objects) were appraised at a value of $1,279,430 (2012- $2,130,730). The appraised value of the collection has been revised to $4,624,112. The remaining objects in the collection will be appraised in due course.

10. Managed Funds

In 2007, the Board entered into a Managed Fund agreement with the Saskatoon Community Foundation to maintain funds consigned by the Board for specified purposes. Expenditures incurred by the Board in relation to these purposes out of operating funds have been identified and comprise the undesignated portion of the Managed Funds balance.

The total funds on hand are pooled by the Foundation with other participants' assets and invested through a fund manager. Rates of return are declared by the Foundation each quarter and applied to funds on hand as of the beginning of the quarter. During the year, the Board did not consign any amount (2012-$0) to the Managed Fund.

	Balance as at March 31, 2012	Net change to capital	Earnings	Fees	Balance as at March 31, 2013
Externally Designated Amounts					
Canada Games Legacy Funds	$ 289,404	$ (69,404)	$ --	--	$ 220,000
Prince Edward Drama Scholarship	33,808	--	2,048	170	35,686
	323,212	(69,404)	2,048	170	255,686
Internally Designated Amounts:	555,979	(155,094)	8,295	695	408,485
Total designated funds	879,191	(224,498)	10,343	865	664,171
Non-Designated Amounts	703,991	224,498	85,502	7,086	1,006,905
Total Funds	$ 1,583,182	$ -	$ 95,845	$ 7,951	$ 1,671,076

11. Contingent Liabilities

In 2008, the Arts Board was served with claim Q.B No 982 of 2007 in which the Arts Board is named as a co-defendant along with a number of other parties. As at March 31, 2013, this action is at the examination of discovery stage and the likelihood of resolution against the Arts Board is not determinable.

In 2012, the Arts Board was served with claim Q.B No 1484 of 2011 in which the Arts Board is named as a co-defendant along with another party. The motion to strike was withdrawn and the action has proceeded to the mediation stage. As at March 31, 2013, the likelihood of resolution against the Arts Board is not determinable.

12. Tangible Capital Assets

	Leasehold improvements	Furnishings	Other equipment	Electronic equipment	2013 Total	2012 Total
Opening costs of tangible capital assets	$ 772,782	$ 212,236	$ 63,727	$ 532,505	$ 1,581,250	$ 1,571,963
Additions during year	--	--	--	21,930	21,930	9,286
Disposals during year	--	--	--	--	--	--
Closing costs of tangible capital assets	772,782	212,236	63,727	554,435	1,603,180	1,581,249
Opening accumulated amortization	470,939	160,634	63,463	401,013	1,096,049	963,440
Annual amortization	16,168	6,377	119	63,906	86,570	132,610
Disposals during year	--	--	--	--	--	--
Closing accumulated amortization	487,107	167,011	63,582	464,919	1,182,619	1,096,050
Net book value of tangible capital assets	$ 285,675	$ 45,225	$ 145	$ 89,516	$ 420,561	$ 485,199

a) Land

In July 1998, Order-in-Council 485/98 authorized Saskatchewan Environment to sell, and the Board to acquire, provincial lands identified in the Order-in-Council for the total value of $1. During 2006 the Board sold the portion of these lands described as Certificate of Title No. 88S52861 in the above Order-in-Council for $442,677. These proceeds were recognized as revenue during 2006. Under the terms of the sale agreement, the Board was to hold this land in trust for a period up to December 31, 2008. During 2009, this provision was amended to continue until such time as the purchaser requests the transfer of title.

In December 2010, the Board entered into an agreement with the City of Saskatoon to sell a portion of the land in the amount of $560,000. $90,000 was held back by the City of Saskatoon pending a proposal to purchase another segment of land in Saskatoon by the Board. The net proceeds of $445,000 are included in funds managed by the Saskatoon Community Foundation (Note 10).

13. Flexible Loan Program

In 2008, Order-in-Council #817/2007 provided for additional funding to the Saskatchewan Arts Board, including $1,150,000 for the establishment of a new program. The purpose of this program is to provide recoupable low-interest loans to support individual artists, arts businesses and arts organizations in developing new business opportunities or expanding existing opportunities to ensure the creation, production, promotion and dissemination of high quality and authentic cultural products.

	2013	2012
Opening Cash balance	$ 1,151,918	$ 1,165,196
Proceeds		
Principal repayments	32,267	27,123
Interest on loans	1,704	1,675
Interest accrued on balance	11,720	11,555
Total proceeds	45,691	40,353
Disbursements		
Loans issued	--	53,000
Other costs	9	631
Total Disbursements	9	53,631
Closing Cash Balance	1,197,600	1,151,918
Loans receivable	36,688	68,946
Closing balance, Flexible Loan Program	$ 1,234,288	$ 1,220,864

Future payments to the Board, pursuant to the agreements, are as follows:

Fiscal Year	Principal Repayment
2013/14	30,222
2014/15	6,466
	$ 36,688

14. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Board by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Routine operating transactions with related parties are recorded at agreed upon exchange amounts and settled under normal trade terms. Those transactions and amounts outstanding at year-end are as follows:

	2013	2012
Revenues		
Ministry of Education	$ 46,000	$ 37,000
Permanent Collection fees	22,582	33,029
Expenses		
Conexus Arts Centre	45,097	44,097
Ministry of Government Services	51,671	35,038
Sask Energy	2,968	2,518
Sask Power	11,632	10,220
SaskTel	36,166	50,795
Saskatchewan Workers Compensation Board	18,435	14,902
	$ 165,969	$ 157,570

In addition, the Board pays provincial sales tax to the Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases. Other transactions with related parties and amounts due to/from them and the terms of settlement are described separately in these financial statements and the notes thereto.

15. Net Financial Assets

The following Net Financial Assets are designated by the Board as at March 31st:

	2013	2012
Designated:		
Flexible Loan Program (Note 13)	$ 1,234,288	$ 1,220,864
Culture on the Go	278,356	265,000
Creative Industries Growth & Sustainability	--	28,250
Managed Funds (Note 10)	664,171	879,192
Ministry of Education	--	37,000
	2,176,815	2,430,306
Non-Designated		
Managed funds (Note 10) and other	352,877	796,402
Net Financial Assets	$ 2,529,692	$ 3,226,708

16. Grants

	2013	2012
Organizations		
Professional Arts Organizations- multi-year	$ 3,029,000	$ 3,167,089
Creative Industries	718,000	1,275,000
Creative Industries Transition Fund	656,921	-
Festivals	777,501	738,750
Professional Arts Organizations- annual	149,775	190,000
Special Initiatives Fund	147,050	-
Artists		
Independent artists	875,000	676,250
Indigenous arts	181,000	181,000
Scholarships	25,000	25,000
Projects		
Culture on the Go	511,025	711,260
Creative Partnerships	554,900	541,600
Project assistance	-	162,500
Portail culturel Fransaskois	345,000	234,925
ArtsSmarts	260,809	231,142
Grants returned	(42,259)	(34,908)
	$ 8,188,722	$ 8,099,608

17. Deferred revenue

In 2010, the Board received a leasehold inducement in the amount of $65,274. This inducement is to be amortized over the length of the lease. During the year, $13,055 (2012-$13,055) was recorded as revenue.

During 2007, the Board received $340,000 from Sask Sport Inc. to operate three specified programs over a ten-year period beginning April 1, 2007, using funds made available for this purpose from proceeds of the 2005 Canada Summer Games designated for Cultural legacy initiatives. During the year, $36,000 (2012-$16,000) was recorded as revenue.

18. Collective Bargaining Agreement

The collective bargaining agreement between the Arts Board and SGEU local 2288 expired September 30, 2012. Negotiations have started on a new contract but no settlement has been agreed to or ratified by the Board or the union. The financial statements include accruals for the Board's estimate of a settlement.

19. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.